

Minutes of the New Jersey Health Care Facilities Financing Authority meeting held on May 27, 2010 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

*The following **Authority Members** were in attendance:*

Vice-Chairman Gus Escher, Public Member; Bill Conroy, Designee of the Commissioner of Health and Senior Services (via telephone), Ulysses Lee, Public Member (via telephone); Maryann Kralik, Designee of the Department of Banking and Insurance, and Eileen Stokley, Designee of the Commissioner of Human Services.

*The following **Authority staff members** were in attendance:*

Mark Hopkins, Steve Fillebrown, Jim Van Wart, Lou George, Suzanne Walton, Bill McLaughlin, Carole Conover, Michael Ittleson, Ron Marmelstein, Lori Johnson, Tammy Trovato, Brooke Liebowitz, Bernie Miller, Edwin Fuentes, Marji McAvoy, and Wanda Lewis

*The following **representatives from the State and/or the public** were in attendance:*

Cliff Rones, Deputy Attorney General; Tim Hower, Governor's Authorities Unit; and Kevin Connell, RBC Capital Markets.

## **CALL TO ORDER**

Vice-Chairman Gus Escher called the meeting to order at 10:07 a.m. and announced that this was a regular meeting of the Authority, held in accordance with the schedule adopted at the May 28, 2009 Authority meeting. Complying with the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

### **1. APPROVAL OF MINUTES**

#### **April 22, 2010 Authority Meeting**

Minutes from the Authority's April 22, 2010 meeting were presented for approval. Ms. Stokley offered a motion to approve the minutes; Mr. Lee seconded. The minutes were approved unanimously, with Ms. Rodriguez abstaining.

### **2. Bond Sale Reports**

Lou George reported that on May 12<sup>th</sup>, the Authority successfully closed a private placement on behalf of St. Ann's Home for the Aged in an amount of \$11,625,000. The bonds were purchased by TD Bank at a monthly variable interest rate equivalent to 69% of the sum of 30-day Libor plus 385 basis points. At the time of closing the rate established for the remaining month of May was 2.89%. Unless converted to another mode, this rate will adjust monthly throughout the 30-year term of the bonds. (These are 30-year bonds and may be put after 10 years and at 5-year intervals thereafter)

On May 13<sup>th</sup> the Authority successfully closed on 4-series of bonds totaling 355,000,000 on behalf of Princeton HealthCare System (PHCS). The Series A & B bonds were publicly issued at weekly variable interest rates enhanced by letters of credit from Bank of America and TD Bank respectively. On Wednesday, May 12<sup>th</sup> the Authority priced \$125,000,000 of Series A and \$55,000,000 of Series B bonds. Bank of America Merrill Lynch was the Sr. Manager and the Authority added TD Bank as a selling group member because of their participation in providing a letter of credit for the Series B bonds. SIFMA, the securities industry and financial markets association announces a weekly average interest rate late each Wednesday afternoon. The underwriter anticipated that the SIFMA rate would be set at 30 basis points and at 1:00 pm on Wednesday afternoon they suggested that we enter the market at that rate. When the Authority got back on the call at around 3:00 pm the underwriter indicated that the Series A bonds with the Bank of America LOC were 1 ½ times oversubscribed and that this did not warrant a price bump because there were only 4 orders. However, the Series B bonds with a TD Bank letter of credit were 9 times oversubscribed; hence they suggested a price bump of 2 basis points resulting in an interest rate of 28 basis points for those bonds. PHCS was very pleased with these rates and the Authority and PHCS gave our approval to finalize the transaction at these initial weekly rates.

The Authority closed on this transaction the following day and at that time set the rates for the privately placed \$100,000,000 of Series C and \$75,000,000 of Series D bonds. As previously negotiated, the Series C bonds were privately placed with Wells Fargo Bank and subject to a weekly interest rate of SIFMA plus 185 basis points which on the date of closing was equivalent to 2.15%. Also as previously negotiated the Series D bonds were privately placed with J P Morgan Chase and subject to a fixed interest rate of 2.93% for the first 3-year period after which they will change to a variable interest rate to maturity, the variable rate being equivalent to 67% of the sum of 1-month Libor plus 250 basis points.

Mr. George stated that it is difficult to predict the actual interest rates over the 31 years the bonds will be outstanding, but that in the aggregate and for the most part, these are variable interest rate bonds and using an assumed interest rate of 4.5%, this transaction would have an all-in TIC of 5.74%.

Mr. Escher asked for clarification of the interest rates and terms of both bonds. Mr. George reiterated rates and terms and added that the difference in points between the St. Ann's transaction and the PCHS transaction was due to the fact that St. Ann's is a nursing home and PCHS is a hospital and therefore have different risk factors calculated into the way in which points are set for each transaction.

### **3. APPROVAL OF MEMORANDUM OF AGREEMENTS WITH THE DEPARTMENT OF HEALTH AND SENIOR SERVICES**

#### **a. Financial Review Services**

Steve Fillebrown presented that in June 2007, the Authority signed a Memorandum of Agreement with the Department of Health and Senior Services (DHSS) to provide financial data services. Under that agreement, the Authority collects and analyzes financial information for the DHSS. In addition, Authority staff reviews the financial information provided in Certificate of Need applications and provides DHSS staff with completeness review questions for the applications.

Mr. Fillebrown went on to note that the Memorandum of Agreement will expire on June 30, 2010. The proposed draft proposal renewal agreement presented today would basically continue the arrangement as before with two notable changes. First, the Authority has added inputting, formatting and distribution of the Early Warning Indicators spreadsheet as part of the agreement; with this change the proposed fee for collection and analysis of financial information is \$5,900 per quarter. Second, the Authority has changed the billing for review of Certificate of Need applications to actual hours spent on the review times an agreed upon hourly rate (subject to a cap) because the time spent on each application varies so widely that a flat fee will not accurately reflect the cost of the review.

The Office of the Attorney General has no objection to the Members' consideration of this agreement. Therefore, staff is asking for approval of the agreement in substantially final form with such changes as the Office of the Attorney General may advise.

Vice-Chairman Gus Escher asked the Members' pleasure with respect to the adoption of the resolution supporting the Memorandum of Agreement between the Authority and the Department of Health and Senior Services for the Authority to provide financial data services for the DHSS. Mr. Lee offered a motion to adopt the resolution; Mr. Escher seconded. The vote was unanimous and the motion was carried.

#### **AB RESOLUTION NO. JJ-84**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the attached form of the "MEMORANDUM OF AGREEMENT BETWEEN THE DEPARTMENT OF HEALTH AND SENIOR SERVICES (DHSS) DIVISION OF MANAGEMENT AND ADMINISTRATION AND THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY FOR QUARTERLY FINANCIAL DATABASE MAINTENANCE AND DATA ANALYSIS."

#### **b. HIT Project Manager**

Mr. Fillebrown provided background on the proposed agreement stating that at the January 2010 Authority meeting, Members approved the hiring of a Project Manager for Health Information Technology. The position was created to review, report on, and confirm the appropriateness of distribution of funds from the \$11 million State Grant to Promote Health Information Technology and Implementation Projects that the Authority was awarded in March 2010. In January, staff noted that the position was expected to be funded from the budget of the Health Information Technology Commission, an agency in, but not of, the New Jersey Department of Health and Senior Services.

Mr. Fillebrown reported that the draft Memorandum of Agreement with the Health Information Technology Commission presented today is similar to that of our arrangements with the Department of Health and Senior Services for collection and review of financial data and for the shared Construction Manager position. The agreement would run from State Fiscal Years 2011 through 2015 and specifies the amount that the Commission will reimburse the Authority, spells out the responsibilities of the position, and allows for an annual cost adjustment based on actual increases in salary and benefits.

The Office of the Attorney General has no objection to the Members' consideration of this agreement. Therefore, staff is asking for approval of the agreement in substantially final form with such changes as the Office of the Attorney General may advise.

Vice-Chairman Gus Escher asked the Members' pleasure with respect to the adoption of the resolution supporting the Memorandum of Agreement between the Authority and the Health Information Technology Commission as related to the Health Information Exchange grant management position. Ms. Stokley offered a motion to adopt the resolution; Mr. Lee seconded. The vote was unanimous and the motion was carried.

### **AB RESOLUTION NO. JJ-85**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the attached form of the “MEMORANDUM OF AGREEMENT BETWEEN HEALTH INFORMATION TECHNOLOGY COMMISSION IN, BUT NOT OF, THE DEPARTMENT OF HEALTH AND SENIOR SERVICES (HITC/DHSS) AND THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY FOR HEALTH INFORMATION EXCHANGE GRANT MANAGEMENT POSITION.

#### **4. APPROVAL TO AUCTION 2005 PRIUS**

Mark Hopkins provided background on the proposed sale of the Authority-owned Toyota Prius stating that during the fall of 2005, the Authority Members authorized the purchase of four 2005 Toyota Priuses to replace three leased Ford Tauruses and one leased Mercury Sable. Since that time the Authority has purchased two additional Priuses (replacing two other leased Tauruses) for a total of six Priuses. The purchase price of each 2005 Prius was \$19,583.

Authority Members subsequently indicated they wanted the Authority to reduce the number of cars, over time, from six cars to two cars (six cars had been assigned to staff members for commuting and traveling to and from meetings, one to each member of senior staff, one to the Construction Manager and one to Lou George as a Project Manager). The guidance from the Authority Members was to eventually retain only one assigned car, the Construction Manager's, and one pool car, to be kept at the Authority for staff use for attendance at meetings and for deliveries. The four other assigned cars would be eliminated over time.

Since employees who had been assigned cars considered them as part of their compensation packages, the Authority determined to sell these cars as the employees who were assigned them retired. However, if not all Authority employees assigned cars retired within four years of the purchase of the 2007 Toyota Priuses, it was agreed the remaining assigned cars would be sold off at that time.

Last year, when Dennis Hancock retired on June 30, 2009, the first car came available for sale. The Authority sold the Blue 2005 Toyota Prius (with 54,000 miles on it) on eBay for \$10,500 in August 2009.

Jim Van Wart has decided to retire at the end of June 2010. As a result the Authority will have another Toyota Prius to sell. Staff has determined the best vehicle to sell is the beige 2005 Toyota Prius with about 72,000 miles on it. The Kelly Blue Book value for a Prius with 75,000 miles in good condition ranges from \$8,300 (trade-in value) to \$10,260 (private party value).

Authority staff believes an eBay auction is the best way to sell this vehicle. An eBay auction would cost approximately \$175. Last year the cost to sell the Prius on eBay was \$166, including \$125 for the listing (not charged unless the car sells for at least the reserve price), \$7 to establish a reserve price and another \$34 for pictures and other enhancements to generate interest in the sale.

Mr. Hopkins reminded the Authority Members that staff researched other methods of selling the vehicle last year. Staff contacted the Division of Purchase and Property, in the New Jersey Treasury Department. The New Jersey Treasury Department charges a 10% commission and the process would take some time because Purchase & Property only conducts auctions periodically. Purchase & Property also told us we could go through them to use GovDeals.com to auction the car sooner. That would cost an additional 6.75% on top of the 10% charged by Purchase & Property.

Authority staff investigated other vehicle auction sites: eBid.net charges 3% of the final sale value (\$270 assuming a \$9,000 selling price). It has significantly fewer cars up for auction than eBay. USGovernmentAuctions.net does not charge the seller but does charge people interested in buying a monthly fee of \$39.80 to access the site, which staff believes would greatly reduce the number of potential bidders. Auctions4wheels.com is also a free site but, like eBid, lists significantly fewer cars than eBay. Staff believes that this site does not generate a lot of hits and thus would also not result in an acceptable sale price.

Mr. Hopkins concluded with the recommendation that the Authority Members approve the auction of the Beige 2005 Toyota Prius on eBay with a reserve price to be discussed during executive session at a cost of \$166 to \$200. In addition, to reach the maximum number of likely buyers in the area, staff recommends putting a link to our eBay auction on the Authority's website, at no cost, and placing an advertisement in the auto classifieds of the Trenton Times and/or the Trentonian at a cost of no more than \$150. The total cost of the eBay listing and newspaper ads should be no more than \$350.

Mr. Escher asked the Members' pleasure with respect to the adoption of the resolution supporting the auction of the Authority-owned 2005 Prius on eBay. Ms. Stokley offered a motion to adopt the resolution; Ms. Rodriguez seconded. The vote was unanimous and the motion was carried.

### **AB RESOLUTION NO. JJ-86**

**NOW, THEREFORE, BE IT RESOLVED**, that, the Authority hereby approves the use of eBay to auction the Authority-owned 2005 Toyota Prius.

**1. OLD/NEW BUSINESS**

**a. Appointment of Officers**

Since the May meeting serves as the Authority’s Annual Meeting, Mr. Conroy offered a motion to elect the following slate of Authority officers for the coming year.

**Officers of the Authority**

Vice Chairman	Gus Escher
Secretary	Suzette Rodriguez
Assistant Secretaries	Steve Fillebrown Carole Conover (vacant)
Treasurer	Ulysses Lee
Assistant Treasurer	(vacant)

**Authority Finance Committee**

Chairman	Ulysses Lee
Members	Ulysses Lee Gus Escher Suzette Rodriguez
Alternate Member	(vacant)

Ms. Kralik seconded the nominations. The vote was unanimous and the motion was carried.

Vice-Chairman Gus Escher noted that the term of the Authority’s elected officers will begin immediately following the Governor’s ten-day veto period, barring any veto notification from the Governor’s Office.

**AB RESOLUTION NO. JJ-87**

**WHEREAS**, with respect to the Authority’s elected official positions, one of the three Assistant Secretary roles and the role of Assistant Treasurer will remain vacant and may be filled at a later date with the appointment of new Authority Members,

**NOW, THEREFORE, BE IT RESOLVED**, that the following individuals are hereby elected to serve in the official positions noted until May 26, 2011, or until the next election of officers:

- Vice Chairman - Gus Escher
- Secretary – Suzette Rodriguez
- Assistant Secretaries – Steve Fillebrown and Carole Conover
- Treasurer – Ulysses Lee

**BE IT FURTHER RESOLVED**, that the Authority’s Finance Committee will be chaired by Ulysses Lee, with Gus Escher and Suzette Rodriguez serving as committee members.

**b. 2010/2011 Authority Calendar**

Vice-Chairman Gus Escher referenced a proposed list of dates on which to conduct meetings of the Authority and its Finance Committee for the coming year. Ms. Rodriguez offered a motion to adopt the schedule; Mr. Escher seconded. The vote was unanimous and the motion was carried.

**AB RESOLUTION NO. JJ-88**

**NOW THEREFORE, BE IT RESOLVED**, that the Authority hereby adopts the following schedule of dates on which to conduct meetings of the Finance Committee and the Authority; and,

**BE IT FURTHER RESOLVED**, that, as provided by the provisions of the Open Public Meetings Act and the Authority’s By-laws, the Assistant Secretary is authorized to provide notice of these meeting dates to the Authority’s designated newspapers, to post notice in the Authority offices and on the Authority’s website, and provide notice to the Secretary of State:

<b>FINANCE*</b> <b>10:00 a.m.</b>	<b>AUTHORITY</b> <b>10:00 a.m.</b>
<b>2010</b>	<b>2010</b>
Tuesday, June 8	Thursday, June 24
Tuesday, July 6	Thursday, July 22
Tuesday, August 10	Thursday, August 26
Tuesday, September 7	Thursday, September 30
Tuesday, October 12	Thursday, October 28
Wednesday, November 3	Tuesday, November 18
Tuesday, December 7	Thursday, December 16
<b>2011</b>	<b>2011</b>
Tuesday, January 11	Thursday, January 27
Tuesday, February 8	Thursday, February 24
Tuesday, March 8	Thursday, March 24
Tuesday, April 12	Thursday, April 28
Tuesday, May 10	Thursday, May 26

\*A Finance Committee meeting has also been scheduled immediately following every Authority meeting.

Mr. Escher noted for the record that, unless advertised to the contrary, all meetings are open to the public and shall be held in the Authority’s office on the fourth floor of Building #4, Station Plaza, South Clinton Avenue, Trenton, New Jersey. Mr. Escher added that the Authority’s staff will perform the required public announcement and notification of the meeting dates once the Governor’s ten-day veto period has passed.

## 6. AUTHORITY EXPENSES

Mr. Escher referenced a summary of Authority expenses and invoices and then Ms. Stokley offered a motion to approve the bills and to authorize their payment; Mr. Escher seconded. The vote was unanimous and the motion was approved.

### AB RESOLUTION NO. JJ-89

**WHEREAS**, the Authority has reviewed memoranda dated May 20, 2010, summarizing all expenses incurred by the Authority in connection with FHA Mortgage Servicing, Trustee/Escrow Agent/Paying Agent fees, and general operating expenses in the amounts of \$544,468.86, \$49,542.00 and \$163,593.91 respectively, and has found such expenses to be appropriate;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves all expenses as submitted and authorizes the execution of checks representing the payment thereof.

## 7. STAFF REPORTS

Mr. Escher thanked staff for the Project Development Summary, Cash Flow Statement, First Quarter Budget Report and Legislative Advisory.

Mr. Hopkins then presented his Executive Director's Report. Mr. Hopkins stated that Navigant is near the end of preparing its report to Commissioner Alaigh regarding the rationalization of health care resources in Hudson County. The Authority has received regular updates from Navigant and is satisfied with their progress. The report is due to the Commissioner on June 1<sup>st</sup>.

Mr. Escher questioned whether the Navigant report was commissioned for a general study or were there evident problems that needed to be reviewed. Mr. Hopkins explained that former Commissioner Howard had asked for the study to be conducted after noticing that the hospitals in that area received a disproportionate amount of state grant funding and that further reviews into the hospitals were necessary to see if cost-saving solutions could be found.

Mr. Hopkins continued his report, noting that the Securities and Exchange Commission voted yesterday to amend Rule 15c2-12, which requires continuing disclosure of financial information and certain events of the obligor for payments on municipal bonds. Among the changes are reporting certain events within 10 business days of their occurrence instead of the current "in a timely manner." Additionally, there will be more events that are required to be reported and certain events must be reported whether or not they are considered material. Also, VRDOs will also be required to submit continuing disclosure information.

Mr. Hopkins then brought Authority members up to date on the activities of several hospitals throughout the state. Warren Hospital has requested forbearance on principal and interest payments from Allstate, the sole holder of the bonds the Authority issued on Warren's behalf. As Mr. Hopkins understands it, Allstate agreed to allow the Debt Service Reserve Fund to be drawn on for Principal and Interest payments through December 2010 conditioned upon Warren engaging a

consultant to confirm their projections for future improvements. After the forbearance period Warren will be required to resume debt service payments and refill the Debt Service Reserve Fund. Warren has engaged Alvarez & Marsal as a consultant.

Mr. Hopkins added that the developer who had planned to buy the site being vacated by University Medical Center of Princeton for \$55 million has backed out of the agreement. The developer had planned to build housing on the site but objected to the affordable housing requirements placed on the site by the borough. Princeton is seeking a new purchaser.

Mr. Hopkins noted that Bayonne Medical Center has informed the Authority that it plans to pay off the \$1.4 million outstanding balance of the \$2.5 million loan the Authority provided to it.

Mr. Hopkins updated the Authority on staff activities, sharing that Bernie Miller, the Authority's Construction Manager, celebrated his 5<sup>th</sup> anniversary with the Authority this month. Edwin Fuentes, an Assistant Account Executive, received his B.S. in accounting from Kean University. Taryn Jauss, Authority Accountant, received her MBA from Thomas Edison State College. The Authority also added a new staff member, Lori Jefferson, who will serve as the Authority's new Health Information Technology Project Manager. Ms. Jefferson started on May 17<sup>th</sup>. Ms. Jefferson has a B.A. in Health Care Management from Florida A & M University and an M.B.A./M.S. in Health Care Administration and Financial Management from Temple University. Ms. Jefferson was most recently an IT Project Manager at Children's Hospital of Philadelphia. Prior to that she did similar work at Health Partners and MEDecision. She also worked for Keystone Health Plan East and Independence Blue Cross.

Finally, Mr. Hopkins announced that Jim Van Wart, the Director of Operations and Finance, will be retiring at the end of June after over 18 years with the Authority. The Authority will be having a luncheon for Jim at noon on Friday, June 11<sup>th</sup> at Amici Milano's. Mr. Hopkins extended an invitation to the retirement lunch to Authority Members. Mr. Hopkins further announced that upon Jim's retirement, Ron Marmelstein who is currently a Senior Account Administrator at the Authority, will be promoted to the position of Director of Operations and Finance. Ron has a B.A. in Accounting & Business Administration from Stockton State College. He has been with the Authority for over 20 years.

Authority Members congratulated Mr. Marmelstein on his promotion and wished Mr. Van Wart well on his retirement.

This concluded the Executive Director's report.

## **8. EXECUTIVE SESSION**

Mr. Escher asked the Members to meet in Executive Session, as permitted by the Open Public Meetings Act and the Authority's By-Laws to discuss matters relating to the sale of the Authority-owned Toyota Prius and personnel matters. Ms. Stokley offered a motion to meet in Executive Session. Mr. Escher seconded the motion. The vote was unanimous and the motion carried. Mr. Escher noted that the results of this discussion will be made public when the need for confidentiality no longer exists.

## AB RESOLUTION NO. JJ-90

**NOW, THEREFORE, BE IT RESOLVED**, that, as permitted by the Open Public meetings Act and the Authority's By-Laws, the Authority met in Executive Session to discuss the reserve price to be set for the online auction sale of the Authority-owned 2005 Toyota Prius as well as to discuss matters relating to personnel;

**BE IT FURTHER RESOLVED**, that the results of discussions may be made known at such time as the need for confidentiality no longer exists.

Public session reconvened. No Action was taken during Executive Session.

Mark Hopkins asked Authority Members to note

As there was no further business to be addressed, following a motion by Ms. Stokley and a second by Mr. Escher, the Members voted unanimously to adjourn the meeting at 10:50 a.m.

I HEREBY CERTIFY THAT THE FOREGOING IS  
A TRUE COPY OF MINUTES OF THE NEW  
JERSEY HEALTH CARE FACILITIES  
FINANCING AUTHORITY MEETING HELD ON  
MAY 27, 2010.

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Carole A. Conover  
Assistant Secretary